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PP RUEHWEB

DE RUEHGB #1876 1930630
ZNY CCCCC ZZH
P 120630Z JUL 09
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC PRIORITY 3888
INFO RUCNIRA/IRAN COLLECTIVE PRIORITY
RUCNRAQ/IRAQ COLLECTIVE PRIORITY

C O N F I D E N T I A L BAGHDAD 001876

SIPDIS

E.O. 12958: DECL: 07/12/2019
TAGS: PGOV ECON IR I2
SUBJECT: VISA CONTROLS LIMIT IRANIAN PILGRIMS TO KARBALA

REF: 08BAGHDAD 3655

Classified By: PRT TEAM LEADER JOHN KINCANNON FOR REASONS 1.4 (b) and (d).

¶1. (U) This is a PRT Karbala reporting cable.

¶2. (C) SUMMARY: According to a prominent Karbala businessman, elements in the Iranian and Iraqi governments struck a deal in early June to issue Iranian pilgrim visas solely through a single Iranian tourist agency, Shamsah Travel and Tourism (Shamsah), a parastatal company linked to the Iranian Government. According to this source, almost all Iraqi Shi'a political parties get a cut of the action operating travel agencies that are local fronts for Shamsah's operations. Shamsah's newfound control of Iranian pilgrim visas and unsettled political conditions in Iran in the wake of recent elections reportedly are contributing to a significant downturn in Iranian pilgrims visiting Karbala, down from a typical 12,000/day to only 5,000-7,000/day. Local hotels, restaurants, and other businesses are said to be laying off staff due to reduced business. End Summary.

¶3. (C) Muhammad Sadiq al-Hir, President of Karbala's Hotel and Restaurant League, (protect) outlined for PRT members the most recent competitive battle for pilgrimage revenue between private Karbalan businesses and the governments of Iran and Iraq (reftel). Al-Hir reported a proposal made by the Iranian Foreign Minister to the Iraqi and Syrian ambassadors to Tehran to process all pilgrim visas through the official Iranian parastatal tourism company, Shamsah. (NOTE: Al-Hir told PRToffs that he was privy to the discussion because the translator used is a personal acquaintance. END NOTE.) According to al-Hir, Syria rejected the proposal on the grounds that Syria's borders are open and it would be damaging to local businesses. However, the Iraqi ambassador to Tehran, Muhammad Majeed Abbas al-Shaik, allegedly contacted the Iraqi Deputy Foreign Minister, Labid Majeed Abbawi (both ISCI members) and the Director of Immigration and Naturalization, General Yasin Tahir Hasan al-Yasiri from the Ministry of Interior (reportedly not an ISCI member, but willing to cooperate for financial reasons) who agreed to the proposal.

¶4. (C) Al-Hir described Shamsah as a travel business principally controlled and run by the Iranian government, with eleven smaller agencies linked to Iraqi Shi'a political factions, such as ISCI, the Sadrists, Da'wa, the Badr Organization, and the Virtue Party. Al-Hir said Karbalan businesses have already seen reduced numbers of visitors, driving prices lower at hotels and restaurants with second order negative impacts seen in local employment and real estate. In an effort to restore a competitive situation, he said business representatives and members of the Ministries of Tourism, Interior (MOI) and Foreign Affairs held a meeting in Baghdad on June 30. The Prime Minister's office was also represented at the meeting. Karbalan business representatives requested that the MOI allow visas to be issued to individual travelers at the borders, without

Shamsah participation. Their recommendation has not yet been accepted and Al-Hir is not optimistic about successfully breaking the new monopoly. He indicated that the businesses have not received any support from the religious authorities either, as they have their own independent financial interests in this new arrangement. He analyzes this as a renewed attempt by the Iranian parastatal Shamsah to profit from a monopoly on the Iranian pilgrim trade.

¶5. (C) Comment: Reftel describes a short-term victory by the local Karbalan business community in 2008 to combat Shamsah's efforts to dominate the lucrative Iranian pilgrim trade. Evidently, Shamsah has struck back with some success with many Iraqi Shi'a political parties reportedly getting a cut of the action at the expense of private sector entrepreneurs.

End Comment.

HILL